

# PERSI Choice Plan 401(k) Summary for Administrators

## Participation and Enrollment

### What is the Choice Plan?

A 401(k) plan that permits:

- Voluntary employee contributions via salary reduction (*pre-tax*).
- Employer contributions, at employer discretion.
- PERSI Gain Sharing contributions, if any, determined annually by the PERSI Retirement Board
- Rollover contributions from qualified plans.

### Account Access

- Automated voice response: toll-free 1-866-437-3774 available 24-hours a day.
- Customer Service Representatives 1-866-437-3774 Monday - Friday 7 AM-6 PM MT.
- [www.persi.state.id.us/choice.htm](http://www.persi.state.id.us/choice.htm)
- ACS HR Solutions (ACS) is the plan record keeper and handles most Choice Plan transactions.

**NOTE:** The employee will need their Social Security # and Personal Identification Number (PIN) to access their account information.

### Who is Eligible to Participate?

Anyone eligible for the PERSI Base Plan is eligible to participate in the Choice Plan\*. This includes:

- Employees who work 20 hours or more per week and whose employment lasts 5 or more consecutive months,
- Teachers who work half-time contract or more and whose employment lasts 5 or more consecutive months, or
- Elected or appointed officials receiving salary who hold their office for 5 or more consecutive months.

Any eligible employee may participate immediately.

Employee members of the Firemen's Retirement Fund, the Judge's Retirement Fund, and the Department of Labor Retirement Plan may also participate.

*\*Gain Sharing has additional eligibility requirements.*

### Enrolling in the Plan

- Once a new employee is reported on a PERSI transmittal, ACS enrolls him/her and mails a PIN\*\* to the employee's address on file. The employee will also receive a *Choice Plan Enrollment Kit*, which includes fund summary sheets, an *Enrollment Form*, and information on the Plan. Employers may also request kits from PERSI to have on hand for employees.

*\*\*Participants who have misplaced their PIN may request a PIN reminder letter via the Web site or toll-free number.*

- To begin voluntary contributions, employees must complete a *Choice Plan 401(k) Enrollment Form*. Contributions will begin as soon as is administratively possible (usually as of the next payroll cycle).
- Employers should retain *Enrollment Forms* for their files. PERSI does not need them.

- The employer submits the contribution amount to PERSI payroll along with their regular PERSI Base Plan transmittal. This needs to be done within 5 working days from the pay date. PERSI then calculates the employee's "deferral percentage" election (dividing the employee's contribution amount by the gross compensation for the period) and transmits all of this information to ACS via an electronic data file.

## Deferral Percent Elections

- Participants establish their initial deferral percent elections (the percentage of their salary to be deferred through payroll deduction as voluntary contributions to the Plan) on the *Enrollment Form*.
- The employee may elect to defer from 1–100 percent of his/her salary on a pre-tax basis. If the employer's payroll platform will accept it, the employee may elect a set dollar amount rather than a percentage.
- Although the plan permits up to 100 percent of compensation, the actual percentage is limited by other mandatory and voluntary salary reductions such as the PERSI Base Plan contribution, FICA, Medicare, insurance, etc.
- If the employee wishes to change his/her deferral amount, he/she must complete a new *Enrollment Form*.
- PERSI submits all deferral percent election changes to ACS via an electronic data file.
- ACS updates the participant's account and mails a *Deferral Percent Election Change Confirm* to the participant's address on file within 2 business days.

## Investment Election Changes

- New participants are automatically enrolled with a 100 percent investment election in the PERSI Total Return Fund (the Choice Plan's default investment option). All new participants receive instructions to contact ACS to change this default election.
- Participants make investment election changes on how **future** contributions (not yet received by ACS) will be invested among the Plan's fund options via the toll-free voice response system, talking to an ACS Customer Service Representative, or accessing the Internet.
- All future contribution types (Voluntary, Employer or Gain Sharing) have the same investment election. Elections must be in whole percent increments; fractional percents (i.e., 33 1/3) are not allowed.

### Menu of Investment Funds

 in relative risk order:

1. SEI Stable Value Fund
2. Mellon Aggregate Bond Index Fund
3. Dodge & Cox Fixed Income Fund
4. PERSI Total Return Fund (default fund)
5. Mellon S&P 500 Stock Index Fund
6. Mellon Wilshire 5000 Stock Index Fund
7. Vanguard Growth & Income Fund, Admiral Shares
8. Dreyfus Premier Midcap Stock Fund (Class R Shares)
9. T. Rowe Price Small Cap Stock Fund
10. Mellon International Stock Index Fund (EAFE)
11. Brandes International Equity Fund

### Fund Transfers

- Participants may transfer their **existing** account balances among the 11 investment funds.
- Participants may initiate fund transfers via:
  - the automated voice response system,
  - the Web site, or
  - ACS Customer Service Representative.

Transfers may be made 24 hours a day, 7 days a week (except via ACS Reps). Requests received before 4 PM ET will be processed at that business day's closing net value. Requests received after 4 PM EST or on holidays will be processed at the next business day's closing net value. Transfers received after 4 PM on Fridays and weekends will be processed by close of business Monday.

Transfers to and from the Mellon Intl. Stock Index (EAFE) Fund and the Brandes Intl. Fund are not traded until the next business day's normal processing cycle. The number of trades (transfers) into and out of the 2 international funds is limited to 2 trades per fund in a rolling 90-day period.

When investment changes or fund transfers are made, ACS mails an *Investment Election Change Confirm* or *Fund Transfer Confirm* to the participant's address on file within 2 business days.

## Contributions

Several different types of contributions are permitted in the Choice Plan. They may come from the employee, employer, PERSI, or other plans as follows:

### Employee Voluntary

- Made via payroll deduction on a pre-tax basis.
- Employees may defer from 1-100 percent of their salary each payroll period.
- The maximum contribution for 2006 is \$15,000. Beginning in 2007, the maximum pre-tax contribution limit will be indexed in \$500 increments for inflation.
- Employees must contribute at least \$130.00 per year. No contribution may be less than \$130.00 divided by the number of payroll cycles for the year - \$2.50 per weekly payroll [\$130.00 divided by 52 weekly payrolls = \$2.50].

### Catch-up

If an employee is at least age 50 during calendar year 2006, he/she may contribute an additional \$5,000. Beginning in 2007, limits will be subject to cost-of-living adjustments in \$500 increments.

### Employer Matching - Discretionary

A PERSI employer may match the employee's voluntary (elective) contribution. The match is calculated by the individual employers; the rate/calculation may differ across employers and associations/locations.

### Additional Employer Contributions-Discretionary

- A one-time and/or irregular contribution.
- Determined annually or irregularly solely by the employer.
- May be made from the savings generated from the credit PERSI employers receive due to Gain Sharing, if any.
- Discretionary; individual employers decide if additional contributions will be made. If yes, employers determine the amount to be applied at the office/location.

### Rollovers

- Participants may rollover balances from their prior employers' eligible retirement plans {401(a), 401(k), 403(a), 403(b), and governmental 457} or pre-tax IRAs, provided the balances qualify as a tax-free rollover.
- Rollover contributions must be in cash; contributions in-kind (in the form of shares) are not permitted.

### PERSI Gain Sharing (if any)

- At the discretion of the PERSI Retirement Board.
- Determined annually; based upon Base Plan funding levels and calculated by a fixed formula.
- Allocated once per calendar year in February; based upon the member's Base Plan account balance as of the prior fiscal year end (June 30).
- To be eligible, an employee must be an active member in the Base Plan, have 12 months of service as of the fiscal year end (June 30), and have a gain sharing allocation of at least \$38.

## Loans

Active and suspended participants may request either a General Purpose or Primary Residence loan (requires additional forms be sent to the member) by calling toll free 1-866-437-3774 and following the automated voice response system instructions. Participants may also request a loan by speaking directly to an ACS Client Service Representative or by accessing the Choice Plan Web site and submitting the request. Inactive participants may not take a loan.

### General Rules Pertaining to Loans

- Only one outstanding loan is permitted at any time.
- The maximum term for repaying a general purpose loan is 5 years. The maximum term for repaying a primary residence loan is 10 years.
- The minimum loan amount is \$1,000.00.
- The maximum loan amount is *the lesser of* 50 percent of the vested account balance *or* \$50,000, minus the highest outstanding loan balance in the last 12 months.

## Loans (continued)

- The amount available for a loan is based upon the participant's balance in his/her Rollover, Employee Voluntary and Employer Contribution accounts. Gain Sharing account balances are not included in the calculation of the maximum amount available for a loan. Also, Gain Sharing balances are not included in the loan amounts distributed.

General Purpose loans are submitted via the Web site or toll-free number. The participant will need their Social Security # and PIN\*\*. Upon receipt of a Primary Residence loan request, ACS will send a Loan Package directly to the participant. The participant must complete the loan application, sign the appropriate forms, and return these documents to ACS. Once the paperwork is received and if the loan is approved, ACS will process the loan and issue a check. Checks will be mailed to the participant's address on record within 3 days.

When ACS mails a loan package between the 1<sup>st</sup> and 15<sup>th</sup> of the month, the terms of the loan will apply until the 15<sup>th</sup> day of the following month. When a loan package is mailed between the 15<sup>th</sup> and end of the month, the terms of the loan will apply through the last day of the following month.

### Loan Repayments

- Repayments on an outstanding loan are made via after-tax salary (payroll) deduction back to the employee's account.
- Loan repayments are credited to participant accounts according to current investment elections. If no election is on file with ACS, repayments will be invested in the PERSI Total Return Fund.
- The first payment to be made on a new loan takes place as of the employee's first payroll 60 days following the date on which the loan was originally processed.
- The interest rate for all new loans is equal to the Prime Rate plus 1 percent as published in the Wall Street Journal on the first business day of each month.

### Paying a Loan in Total

- Participants may pay off an outstanding loan in total at any time.
- Partial loan repayments (in amounts larger than the regularly expected loan repayments) are not allowed.
- To pay off a loan in total, participants may call PERSI at 208-334-3365 or 1-800-451-8228. PERSI will provide the participant with the exact dollar amount, after contacting the participant's payroll administrator to determine if any further payments are scheduled to be sent, necessary to pay the loan in full. Participants will need to mail a bank-certified check or money order made payable to "Mellon Bank, NA" for the total amount quoted by PERSI. The check or money order should be sent directly to ACS HR Solutions at P.O. Box 1014, Totowa, NJ 07511-1014, and the participant must include their name and SS# on the check along with a note explaining this is a loan payoff.
- ACS will process the loan payoff upon receipt of the check, and will also notify PERSI (via e-mail) the loan payoff was processed, providing the participant's name, SSN, Location Code and Loan Number.

- PERSI will forward the payoff information to the participant's Payroll Department so his/her record may be updated and no further loan payments are made via payroll deduction.

### Defaulting on a Loan

- ACS sends a monthly report to PERSI of participants who have not made a loan payment for at least 90 days.
- PERSI directs ACS to send a letter to the participants informing them of the delinquent status.
- PERSI informs ACS of those loans which are in a default status, authorizes ACS to default those loans, and records the unpaid balance as a distributable and taxable event.

**When a participant defaults on a loan, he/she will receive a Form 1009R for the unpaid balance and will be liable for income taxes on this amount. 1099R Forms are mailed by ACS in January for the preceding calendar year.**

## Withdrawals/Distributions

### Withdrawals While Employed

#### Non-Hardship Withdrawals

Active or suspended\*\*\* participants may withdraw some or all of their Rollover Contribution accounts. This withdrawal option is *limited to Rollover balances only* and is not available to inactive participants.

*\*\*\*Participant who is suspended from making voluntary contributions due to a hardship distribution.*

#### Hardship Withdrawals

Active or suspended participants may withdraw some or all of their Employee Voluntary (pre-tax) Contribution balances minus any earnings. This withdrawal option is *limited to Employee Voluntary Contribution and Prior Employee Voluntary (former Super Saver Plan) balances only* and is not available to inactive participants.

Hardship withdrawals are permitted only for the purpose of relieving an immediate and heavy financial need such as payment of college tuition, extraordinary medical expenses, avoiding eviction or foreclosure, or purchase of a primary residence. Participants will be required to pay a 10 percent IRS penalty for early withdrawal from the Plan (if under age 59½) in addition to regular income taxes.

Hardship distributions are subject to these Safe Harbor rules:

- Employees must first exercise all other loan or withdrawal options including the non-hardship in-service withdrawal option (to the extent of rollover contribution balances).
- Employees will be suspended from making employee voluntary (pre-tax) contributions for a 6-month period.

#### In-Service Transfers

Funds from a participant's Choice Plan account may be transferred (while he/she is still working) to the PERSI Base Plan to repay Separation Benefits, Waiting Periods or Delinquent Contributions.

## Distribution Options at Termination/Retirement

When terminating employment or retiring, employees have several options on how to receive a distribution. A "distribution kit" can be obtained from the toll-free number, PERSI, or the Web site. It contains the Distribution Request Form, Instructions, and Special Tax Notice.

### Purchase Base Plan Service.

Participants may convert all or a portion of their Choice Plan account to purchase service under the PERSI Base Plan. *To take advantage of this option, the participant must be retired and must have completed the necessary "Purchase of Service" paperwork within the 90-day period preceding the date of retirement.* To select this option, he/she must attach a copy of a completed "Purchase of Service" agreement to the Distribution form.

### Other Options

If the account balance is more than \$5,000, and the participant is retiring, disabled, a spouse beneficiary, or if he/she has attained the Choice Plan's Normal Retirement Age (50), he/she may choose any of the following options or a combination of options. If the account balance is \$5,000 or less, or he/she has not attained the Choice Plan's Normal Retirement Age (50), he/she may not choose option D, but may choose A, B, or C, or a combination of those. Options are based on the account balance on the date the employee submits the distribution request to ACS.

### A. Lump Sum Distribution Paid Directly To Participant.

Any amounts payable that are eligible for rollover distributions will be subject to federal income tax withholding of up to 20% and applicable state income tax withholding. The employee may also incur a federal 10% early distribution penalty if under age 59½. Distributions that are not eligible for rollover generally will be subject to 10% federal withholding, unless electing a different rate.

### B. Leave Funds in the Choice Plan.

A participant may leave his/her funds in the Choice Plan until a later date, or until retirement. The funds will be subject to minimum distribution requirements when he/she turns age 70½. By leaving money in the Plan, he/she defers paying taxes.

*The participant will be responsible for the annual record keeping fees to maintain this account (currently \$30 annually). The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after he/she terminates or retires.*

If electing to leave all of funds in the plan, the employee does not need to complete the Request for Distribution/Rollover form.

### C. Rollover to an IRA or Eligible Retirement Plan.

A participant may transfer his/her Choice Plan account balance via direct rollover into an Eligible Retirement Plan\*\*\*\* or IRA. By transferring the money via direct rollover, he/she defers paying taxes. *A beneficiary may only take a rollover distribution if he/she is the surviving spouse of the participant.*

\*\*\*\*Eligible retirement plans include 401(a), 401(k), 403(a), 403(b) and 457 plans.

## D. Installment Payments.

A participant may receive monthly installment payments of his/her Choice Plan account. Monthly installments can be paid in one of two ways:

- 1) In a fixed monthly amount, with such payments made until account exhaustion (not to exceed 120 months).
- 2) In substantially equal payments over a fixed period of time not to exceed the joint Life Expectancy of the participant and their designated beneficiary.

Installment payments are available only upon retirement; attainment of age 50; disability; or death of the participant if the beneficiary is the surviving spouse of the participant. This option is only available if the balance is more than \$5,000.

*The participant will be responsible for the record keeping fees to maintain this account (currently \$30 annually) during the time the installment payments are being made.*

The installment option may be affected by minimum distribution requirements when the participant turns age 70½.

### Account Balances Less Than \$200

The plan requires automatic payout of a participant's account after termination, if the balance is less than \$200. The distribution is sent to the participant's address of record. No request form is needed.

## Termination Confirmations

ACS will automatically mail a *Termination Confirmation* to inactive Choice Plan participants. It will be generated after receiving the employee's termination date and reason for termination from the employer via PERSI.

The timing of the confirmation mailing is determined by whether the participant worked for the State of Idaho or another PERSI employer.

- **For State Employees:** ACS will wait for 45 days following the participant's termination date to see if the individual is rehired by another State employer. If not rehired within 45 days, a confirmation is mailed.
- **For all other Employees:** A confirmation is mailed by ACS within three business days of receiving the termination date and reason.

The confirmation will explain the distribution options available and will provide a telephone number so that the participant may contact an ACS representative to request a *Distribution Kit* and discuss distribution options. A *Distribution Kit* may also be requested directly through PERSI or from the Web site.

If the employee elects a distribution, he/she completes a *Request for Distribution/Rollover Form* in the kit and sends it directly to ACS. ACS will process the distribution (and mail a check, if requested) within 3 business days after it is processed.

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